

PwC Tax Insight # 03/2024

Tax Update

Issued Date: 18 April 2024



Value added tax on imports of low valued goods

The following report may be of interest to:

All clients

In brief:

On 2 April 2024, the Ministry of Finance announced that the Revenue Department will soon propose an amendment to the Revenue Code. The amendment will impose 7% value added tax (VAT) on the import of low valued goods (of not exceeding THB 1,500) purchased through online marketplaces.

1. Current law:

VAT rules currently exempt from import VAT goods that are exempted from customs duty. Under the customs law, goods with a value of not exceeding THB 1,500 (approx. USD 40) are exempt from customs duty.

In effect, consumers purchasing low valued goods from overseas suppliers do not need to pay 7% VAT, but consumers purchasing low valued goods from Thai local suppliers are subject to 7% VAT under domestic law (i.e., sales in Thailand). As a result Thai local suppliers are currently at a disadvantage when compared to overseas suppliers.

2. Impacts of draft law:

An amendment to the Revenue Code is expected to be issued to remove the provision which says that import VAT is exempted for goods that are exempted from customs duty. This development may impact sales made by overseas suppliers through online marketplaces to non-VAT registrant Thai customers. VAT liability is expected to be pushed to the online marketplaces (both overseas and Thai marketplaces) where low valued goods are sold. There may be additional administrative duties under the law as online marketplaces may need to be responsible for monthly VAT filings.

The details on how this will be achieved in practice has yet to be announced. However, a draft regulation is estimated to be proposed by the Revenue Department to the Ministry of Finance within May of this year.

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3. Our observations:

This mechanism is built on the OECD's recommended framework for collecting VAT on low-value imports by pushing the filing and payment obligations to the e-commerce platforms.

The Revenue Department's rationale behind this regulation is two fold; (i) to provide a levelled playing field for both Thai and overseas suppliers in respect to the sale/import of low valued goods, and (ii) to collect tax on the import of low valued goods, which the Revenue Department has previously been missing out on.

We will continue to monitor these matters closely for further clarifications from the Revenue Department. This is important as it can have a significant impact on the operations of online marketplaces moving forward.



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